

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 66 – SB 251

February 2, 2017

SUMMARY OF BILL: Designates \$120,000,000 from excess state revenue over-collected in FY16-17 and deposited to the General Fund to the Highway Fund. Requires \$20,000,000 of such funds to be earmarked to fund planning, engineering, right-of-way acquisition, construction, improvement, and rehabilitation of roads and bridges on the state-aid highway system set forth in Tenn. Code Ann. § 54-4-401 - § 54-4-406.

ESTIMATED FISCAL IMPACT:

Increase State Revenue - \$120,000,000/One-Time/Highway Fund

Increase State Expenditures - \$120,000,000/One-Time/General Fund

Other Fiscal Impact – To the extent local governments permissively elect to expend in the aggregate \$6,666,700 of local funding for planning, engineering, right-of-way acquisition, construction, improvement, and rehabilitation of roads and bridges on the state-aid highway system, which equates to the required 25 percent local match pursuant Tenn. Code Ann. § 54-4-404(b), then the \$20,000,000 earmarked in the Highway Fund could be expended by the state and drawn down by the respective local governments to finance project costs totaling \$26,666,700.

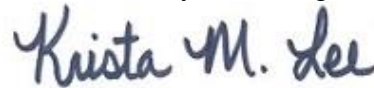
Assumptions:

- There will be a one-time appropriation from the state General Fund to the Highway Fund in the amount of \$120,000,000. Of this amount, \$20,000,000 will be earmarked for the state-aid highway system.
- Pursuant to Tenn. Code Ann. § 54-4-404(a), funds appropriated to the state-aid highway system shall be allocated to local agencies to be expended upon the designated highways and roads by the formula set forth in Tenn. Code Ann. § 54-4-103.
- Pursuant to Tenn. Code Ann. § 54-4-103, state funds are appropriated to the state-aid highway program and allocated to the state's 95 counties as follows: 50 percent is distributed equally; 25 percent is distributed based on county population; and 25 percent is distributed according to county area. Pursuant to Tenn. Code Ann. § 54-4-404(b), no funds shall be either obligated or expended under the state-aid highway program unless the local agency agrees to match the proposed expenditures in an amount of 25 percent.

- In order for local governments to draw down the entire \$20,000,000 earmarked in the Highway Fund as a result of this bill, the proposed expenditures in the aggregate to complete all eligible projects would have to be at least \$26,666,667 (\$20,000,000 state funding / 75 percent state portion). As a result, local governments would be required to match in the aggregate \$6,666,667 (\$26,666,667 proposed expenditures x 25 percent local match rate). However, each local agency would be authorized to receive only such agency's allocated amount based on the formula set forth in Tenn. Code Ann. § 54-4-103.
- The Governor's proposed budget for FY17-18, on page A-12, appropriates \$30,622,000 to the state-aid program, of which \$21,082,000 is estimated to be allocated for the state-aid highway program, and \$9,540,000 is estimated to be allocated for the state bridge program. These amounts are identical to state appropriations in the previous three fiscal years (FY14-15, FY15-16, and FY16-17).
- The current balance of the state-aid highway fund available for state-aid projects is \$76,648,442, of which \$39,696,417 is available for road projects and \$34,952,025 is available for bridge projects.
- The actual expenditures from the fund over the last three full fiscal years were: \$31,260,833 in FY13-14 (\$22,506,026 on road projects; \$8,754,807 on bridge projects); \$28,133,825 in FY14-15 (\$18,316,368 on road projects; \$9,797,457 on bridge projects; and \$44,853,876 in FY15-16 (\$26,143,879 on road projects; \$18,709,997 on bridge projects).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/tdb